

INTERNAL REVENUE SERVICE

Department of the Treasury

District
Director

Person to Contact: [REDACTED]
Telephone Number: [REDACTED]
Refer Reply to:
Internal Revenue Service
[REDACTED]

CERTIFIED

Date: JUL 23 1992

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED], under the nonprofit corporation laws of the State of [REDACTED].

Your purposes, according to your Articles of Incorporation are:

1. To promote and meet the health care needs and to improve the quality of health care provided to persons in and around [REDACTED], and those served by [REDACTED].
2. To promote the development, establishment and improvement of health service plans, including preventive programs, for the provision and delivery of comprehensive health service plans and other qualified health care organizations however identified.
3. To enter into contractual written arrangements with health professionals and written service agreements with health maintenance organizations and other prepaid health service plans, qualified health care organizations, hospitals, or providers however identified whereby such person or entities shall provide their professional services.
4. To contract with health care professionals for the provision and delivery of quality health care services at a reasonable cost for persons served by the [REDACTED].

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- [REDACTED]
5. To facilitate peer review, grievance procedures, and to develop quality assurance standards in the provision of medical and health care and to do all things necessary and ancillary thereto in providing and implementing the same.
 6. To provide for utilization of additional professional and allied personnel, for the sharing of medical and other records, research, equipment and staff, and for the arrangement and encouragement of continued professional education.
 7. With reference to the foregoing purposes, the corporation shall provide the services of and operate as an individual practice association under the Health Maintenance Organization Act of 1973, 42 U.S.C. 300(e) (as now existing or hereinafter provided by any future federal statute dealing with the same subject matter) in and about but not restricted to [REDACTED], and pursuant thereto shall explore the possibility of joining in the future with one or more corporations or associations or entities organized or to be organized for similar purposes.
 8. In addition to the specific purposes provided herein, the corporation shall have and exercise all powers necessary or convenient to effect any or all lawful purposes not for pecuniary profit for which corporations may be organized under Chapter [REDACTED] of the [REDACTED] Nonprofit Corporation Act.

Membership in your organization is open to any licensed physician (M.D. or D.O.) who is in good standing in the State of [REDACTED] and has been granted hospital staff privileges at [REDACTED].

Your primary activity, according to your application, is to evaluate third party contracts of insurers and businesses to improve the condition of the health care industry in [REDACTED]. "In addition, you intend to enter into contractual written arrangements with health professionals as a need is identified in [REDACTED] County.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of Income Tax Regulations reads as follows:

"BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF TRADE. A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See sections 511 to 515, inclusive and the regulations thereunder."

Revenue Ruling 86-98, 1986-2 C.B. 74 states that an individual practice association that provides health services through written agreements with health maintenance organizations does not qualify for exemption from federal income tax as a social welfare organization under Section 501(c)(4) of the Code or as a business league under Section 501(c)(6).

Since your organization is an individual Practice Association as described in the aforementioned Revenue Ruling, you do not qualify for exempt status under Section 501(c)(6) of the Internal Revenue Code.

You are required to file Federal Income Tax Returns.

[REDACTED]

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 6018.

Sincerely yours,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018